SQI DIAGNOSTICS INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations

March 31, 2015

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This Management's Discussion and Analysis ("MD&A") of SQI Diagnostics Inc. (the "Company") covers the three and six month periods ended March 31, 2015 and March 31, 2014 and should be read in conjunction with the Company's condensed interim consolidated financial statements. The March 31, 2015 condensed interim consolidated financial statements and additional information about the Company, including the annual audited consolidated financial statements and MD&A for the fiscal year ended September 30, 2014 and the most recent Annual Information form ("AIF") can be found on SEDAR at www.sedar.com.

All amounts are expressed in Canadian dollars unless otherwise indicated.

This discussion and analysis was prepared by management using information available as at May 20, 2015.

This document contains forward-looking statements that relate to future events or future performance and reflect our expectations and assumptions regarding our growth, results of operations, performance and business prospects and opportunities. Such forward-looking statements reflect our current beliefs and are based on information currently available to us. In some cases, forward-looking statements can be identified by terminology such as "our goal", "may", "would", "could", "will", "should", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential", "continue", "positioned" or the negative of these terms or other similar expressions concerning matters that are not historical facts. The forward-looking statements in this document include, among others, statements regarding our future operating results, economic performance, product development efforts, and statements in respect of:

- *our requirement for, and our ability to obtain, future funding;*
- *our expected future losses and accumulated deficit levels;*
- *technological advances of competitive products and general market competition;*
- *our expectations regarding the acceptance of our products by the market;*
- *our expectations regarding the progress and the successful and timely completion of the various stages of the regulatory clearance process;*
- *our strategy to develop new products and to enhance the capabilities of existing products;*
- *our strategy with respect to research and development;*
- *our dependence on expanding our customer base;*
- *our plans to market, sell and distribute our products in Canada and the United States;*
- *our plans in respect of strategic partnerships for research and development;*
- *our ability to obtain a sufficient supply of the components needed for our products;*
- *our plans to retain and recruit personnel;*
- *our plans to correct defects or errors that may arise in our systems; and*
- *our strategy with respect to the protection of our intellectual property.*

A number of factors could cause actual events, performance or results, including those in respect of the foregoing items, to differ materially from the events, performance and results discussed in the forward-looking statements. Factors that could cause actual events, performance or results to differ materially from those set forth in the forward-looking statements include, but are not limited to:

- *the extent of our future losses;*
- *our ability to obtain the capital required to fund development and operations;*
- *development or commercialization of similar products by our competitors;*
- *our ability to develop and market our products;*

- *our ability to comply with applicable governmental and securities regulations and standards;*
- *our ability to develop and commercialize our technologies;*
- *delays or failures in our ability to develop and implement new diagnostic products;*
- *our ability to expand our customer base;*
- *our ability to market, sell and successfully commercialize our products;*
- *our ability to attract and retain skilled and experienced personnel;*
- *the impact of changes in the business strategies and development priorities of our strategic partners;*
- *loss of suppliers or increases to the cost of the components of our systems;*
- *the impact of legislative changes to the healthcare system and regulatory process;*
- *our ability to maintain effective internal control over financial reporting;*
- *damage to our manufacturing facility or its failure to accommodate future sales growth;*
- *the impact of unknown defects or errors and product liability claims;*
- *foreign currency fluctuations;*
- *our ability to obtain patent protection and protect our intellectual property rights and not infringe on the intellectual property rights of others;*
- *the expense and potential harm to our business of intellectual property litigation;*
- *stock market volatility;*
- *the fact that further equity financing may substantially dilute the interests of our shareholders; and*
- *other risks detailed from time-to-time in our ongoing quarterly filings, annual information forms, annual reports and annual filings with applicable securities regulators, and those which are discussed under the heading "Risk Factors".*

Although the forward-looking statements contained in this management discussion and analysis are based on what we consider to be reasonable assumptions based on information currently available to us, there can be no assurance that actual events, performance or results will be consistent with these forward-looking statements, and our assumptions may prove to be incorrect. These forward-looking statements are made as of the date of this document.

OVERVIEW

SQI Diagnostics Inc. ("SQI Diagnostics" or "SQI" or the "Company") was founded in 1999 on the basis that the number of blood tests performed to diagnose a patient's disease state was large and growing and that reducing the effort and cost to complete these multiple tests would create a significant benefit to the life sciences industry. Since then, SQI has invested significant resources to develop and patent our technologies and automated systems that enable multiple test results to be obtained from one single test well (multiplexing), saving considerable time and money for our customers.

SQI Diagnostics Inc. is now a leading innovator in the multiplexed diagnostics and life sciences tools markets. Our multiplex tests and automated platforms together form a powerful tool for the design, development and running of tests in three key market segments.

Drug Development Testing

Customers in this market segment include big pharma, biotechnology companies and the contract research organizations ("CRO's") that service them. SQI provides technology and equipment for blood testing in clinical trials and pre-clinical research for pharmaceutical and biotechnology companies developing novel drugs. Tests developed for our customers in this segment generally have lower regulatory requirements than in our Human Diagnostics Testing segment.

Animal Health Diagnostic Testing

We have recently applied the same multiplexing technology that forms the core of our products to diagnostic tests used for customers in the animal health segment. This includes tests for infectious diseases, food safety and routine companion and production animal tests. Tests in this market generally have lower regulatory requirements than human testing markets and are generally performed in very high volumes creating an additional large market for SQI technology. We continue to focus on markets where multiple tests are currently being run at the same time and in segments where test volumes are large enough to utilize our automated systems.

Human Diagnostic Testing

This segment is composed of diagnostic tests for humans developed for our strategic customers including DNA-based tests for infectious disease and SQI developed tests for FDA cleared *in vitro* diagnostic ("IVD") immunology testing done in reference laboratories for the diagnosis and monitoring of autoimmune diseases. In this segment we also include customers that have multiple human diagnostic test panels and who have a need to address the current market trend to multiplex these tests and run them as a panel at one time. By converting their tests to SQI's technology these laboratories would be able to deliver to their customers the economic and efficiency benefits of multiplexing and automation.

SQI gained technology validation through the development of FDA approved IVD (In vitro diagnostics) tests. The characteristics of the IVD market include a high degree of regulation, standardized test performance and the necessity to develop a menu of numerous tests to attain market penetration.

What we learned through our early research and initial IVD test development was that while the successful completion of the IVD tests was an excellent achievement for technical validation and illustrated the utility of our technologies and products, the regulatory thresholds were quite high and the capital requirements for development of IVD tests quite significant for a company of SQI's size and resources. These realizations dictated that we focus on opportunities that would generate nearer term revenue streams. We have not abandoned the IVD market, but chosen to defer the majority of development and expansion plans in this area to a later date and continue to complete commercialization of our IVD test menu at a slower pace than in the past.

We took a focussed approach to explore other markets where we could exploit our technologies and generate revenues sooner with less research and development investment. The subsequent analysis caused us to focus on the pharmaceutical and biotechnology drug development sector where there has been a significant shift towards developing biologic drugs and away from drugs that are chemically derived.

Under the guidance of its new CEO, SQI launched a new commercialization strategy with a focus on drug development companies and the contract research organizations ("CRO's") that provide a range of services to the large pharmaceutical and biotech companies in this sector.

This change in focus has coincided with the issuance of new FDA (Food and Drug Administration) guidance in August 2014 directing drug development companies on immunogenicity testing for drug development protocols. Immunogenicity tests are used to better understand patients' immune response to being given a novel drug and are used to monitor patients during drug trials and after a drug's approval in the form of a "companion diagnostic". This new guidance from the FDA dictates broader immunogenicity testing requirements by Pharmaceutical companies and is causing them to seek economically viable solutions to follow these new guidelines. SQI's expertise in multiplexed microarray diagnostics has garnered the attention of the industry and SQI has successfully illustrated the speed, accuracy and cost

efficiency of its products for immunogenicity testing to a number of big pharma, large biotech companies and the CRO's that service them.

The adoption of new immunogenicity testing technologies into the drug development protocols represents a major commitment from drug development companies. In general, clinical testing for drug development companies seeking to attain regulatory approval for a new drug requires approximately 7-10 years and costs in excess of $1 billion USD per drug. The failure of any single element within the process can cause the loss of significant time and resources and new technologies are very carefully evaluated and tested for periods of months or years, before commitments to novel technologies are made.

SQI's marketing efforts over the last year have led to our next generation technology currently being evaluated in the labs of numerous key opinion leaders in the industry. As with any new technology in the life sciences markets, the evaluation periods and decision making processes with large, multinational companies takes significant time. SQI has spent the last twelve months nurturing relationships and essentially allowing the industry to sample the superior features of our multiplexed microarray diagnostics technology at low costs. SQI has consistently illustrated the superior benefits of its microarray technology and continues to progress towards platform sales in almost every customer approach. Our customers have fully supported the SQI technology platform's performance through as illustrated by their presentations of the results of using our products at multiple leading academic and industry conferences.

SQI now has a clear vision as to where the largest markets for our technology exists, has gained acceptance for our diagnostics products with big pharma entities and we are now poised to complete the sale of numerous platforms over the current and ensuing years. The sale of platforms will provide a base from which we will enjoy recurring revenues from sales of custom designed kits and from routine tests for use on SQI platforms. Once SQI technology and products have been enshrined within the drug development protocols of our drug development customers, the commitment is long term and the base revenue streams secure. Installed SQI platforms and secured revenue streams create a revenue-platform to leverage for additional product opportunities.

SQI achieved the following key milestones in the second quarter of fiscal 2015:

Customer projects/sales activities

We have summarized below some of the more significant milestones attained and believe most of these customer related opportunities will result in generating sustainable revenue streams once the customer has completed its evaluation of our technology and consummated a sale. Many larger pharmaceutical companies in the life sciences sector generally do not to allow the publication of their name in the context of business development which is in process. By necessity, we describe these SQI customers as a "significant customer" or "Global Pharma".

- During the quarter SQI executed an evaluation agreement with a significant customer and subsequent to the quarter end installed a fully automated sqidlite system at one of the customer's US-based facilities. Under the terms of the agreement, the customer will use the equipment primarily in order to validate the performance of a 21-plex test developed for this customer to run on SQI's sqidlite™ system. Successful, final evaluation is expected to result in the purchase of the sqidlite™ system and the on-going sales of initial products for use in the customer's clinical programs. SQI is currently in discussions with this customer to initiate development services for one or more additional products in 2015.

- SQI announced that its immunogenicity testing technology was highlighted by Bristol-Myers Squibb ("BMS") in both a presentation and a case study at the 9th Workshop on

Recent Issues in Bioanalysis in Miami, Florida ("9th WRIB"), from April 13th to 17th 2015. The presentation was given on April 17th by Renuka Pillutla, PhD, Director, Bioanalytical Sciences – Biologics for Bristol-Myers Squibb. The title of the talk was "Application of SQI Multiplex Platform in Immunogenicity Testing – Epitope Mapping and Isotyping."

- In January we attended the *Immunogenicity and Immunotoxicity* conference where Merck & Co. delivered a talk entitled "Immunogenicity Assays: Challenges of Anti-Drug Antibody (ADA) Detection in the presence of High Concentration of Circulating Drug (Drug Tolerance)" which highlighted the superior drug tolerance capabilities of SQI's technology, solving the industry's need for better drug tolerance for their existing anti-drug-antibody (ADA) tests.

- We entered into an additional agreement with a global pharmaceutical company previously referred to as Global Pharma 3 to carry out testing of its pre-clinical (monkey) samples as a service in our lab. The first lot of samples were successfully processed during the quarter and additional samples to complete the project are being delivered and are expected to be completed in the third quarter. The first set of monkey sample testing generated greater than 96% agreement to the customer's prior testing method.

- During the quarter we completed development work on an anti-drug-antibody ("ADA") multiplex test for a global pharmaceutical company. The results of this work illustrated that the SQI developed tests had higher sensitivity and better drug tolerance than the tests the customer historically used. We have commenced discussions to place instruments and to supply kits to this customer in order to allow them to undertake an evaluation period and to initiate several additional projects. We believe that we will sell this customer one or more SQI platforms, test kits for pre-clinical studies, as well as test kits for human studies during fiscal 2015 and 2016.

- During the quarter we continued to work with a biotechnology customer's contract research organization ("CRO"), Algorithme Pharma, and subsequent to the quarter end, SQI commenced the development of plans to transfer their tests to Algorithme Pharma allowing the tests to be validated and run at its lab.

- During the quarter a contract was signed with a customer in the animal health market to convert 3 existing veterinary ELISA tests to the SQI platform. In the first stages of development we made significant progress on a first set of field samples showing greater than 93% agreement with the expected result. This project is significant as it represents the opportunity to convert existing single plex tests in the animal health market to SQI's multiplex technology.

- We executed a fourth development agreement with our DNA customer. Each new agreement expands our partnership with this custom diagnostic customer in the infectious disease, DNA market. The first test being developed for this customer is a 31 plex DNA-based test used to detect infections in human blood. Management expects that a second test targeted at detecting infections in dairy cattle will be developed next. DNA, or "molecular" testing in infectious disease represents a new and exciting business segment for SQI. We believe this is an important diversification into DNA-Infectious disease testing and that this is a very large market segment for high volume multiplexed tests that we are developing with this customer.

  Significantly, the DNA products under development, when finished will potentially improve patient care by delivering diagnostic results for dangerous infections. The value-drivers of these products are to provide results in time-frames that are days faster than current tests combined with our expectation that our unique technology can be deployed at a

target cost of delivery that is similar to the microbiology or petri-dish-like tests currently being used. Current "real-time" DNA-based tests are typically many multiples of the cost of microbiology tests. DNA tests are also highly specific, or able to more precisely determine what organism has caused the infection. We also believe that the core elements of this DNA test have multiple other applications outside of the human blood testing markets and would involve high volume applications but in animal health and agriculture.

Below we provide a brief glimpse into our near-term sales pipeline:

- A clinical diagnostic company is interested in transferring over a multiplexed cardiac biomarker test from an older system to sqidlite™.
- SQI is in advanced discussions with a US-based immunogenicity CRO for the placement of a sqidlite™ platform and co-marketing test development and testing services
- The Company has undertaken follow-on meetings with major vaccine companies
- SQI is advancing multiple major pharma opportunities including vaccine, cancer and diversified pharmaceutical companies
- We expect that these opportunities could significantly increase the number of customers and projects that we currently service thereby significantly building on our revenue opportunities for fiscal years 2016 and beyond.

Marketing efforts that supplement direct selling in the first half of calendar 2015 include:

- SQI will attend a Protein Engineering Summit (PEGS) in May 2015
- SQI will attend the AAPS National Biotech Conference
- SQI is a sponsor and will attend the Annual Immunogenicity Conference in June 2015

Industry collaborations

- SQI participates on a steering committee for emerging technologies at the American Association of Pharmaceutical Scientists (AAPS) - Emerging Technologies Action Program –"Next Generation Technologies Delivering Enhanced Throughput and Multiplexing Capabilities",
- SQI is a task force participant on the AAPS Emerging Technologies "Matrix Interference in PK Assays", Task Force; a task force paper is due in 2015

Corporate finance

- On January 30, 2015 and on February 20, 2015 the Company completed two tranches of a debenture financing resulting in gross proceeds of $3,236,000. The debenture financing is described in further detail on page 11 of this discussion

OUTLOOK - STRATEGY for 2015 and 2016

To achieve our vision and drive our future growth, we have 5 strategic objectives.

1. ACHIEVE SUSTAINABLE REVENUE VELOCITY

Since launching our drug development commercialization plan we have gained six customers and have completed 12 projects, and have installed one sqidlite™ analyzer into a global pharmaceutical customer's lab for evaluation of products completed for them in 2015. Our main objective for the remainder of the 2015 fiscal year, is to leverage the success achieved to date and to sell sqidlite™ analyzers into our customers' labs, have them further validate the tests we have delivered to them and drive revenue growth across the installed customer base selling custom and routine test kits. Simply put – we aim to achieve sustainable revenue velocity by

having multiple large customers with multiple installed systems and utilizing large volumes of test kits for multiple projects.

In the first two quarters of fiscal 2015 we progressed towards this objective by:

1) Working with our large pharma customers to complete development work and establish delivery timeframes for multiple sqidlite™ systems in the coming quarters.
2) Winning additional, repeat business from our DNA customer and continuing to progress the development work to deliver a fully-automated pathogen detection system for the testing of human blood samples.
3) We are dedicating resources to expanding our outreach and revenue base into the very large animal health diagnostics market.

2. DELIVER DIFFERENTIATED CUSTOMER EXPERIENCES

Our value proposition is consistent across our target markets. We provide state of the art test kits and platforms that reduce the amount of work performed while delivering superior product performance. We do this through "multiplexing" and automation. Multiplexing allows our customers to get many results from a single test. To date, we have built custom tests for the drug development market that have as many as 21 unique results from a single SQI test. In other words, we take away the effort our customers would have previously needed to develop 21 different tests by allowing them to use just 1 test to obtain 21 results. This reduces the effort to validate 21 different tests; reduces the effort to collect very valuable blood samples and allows our customers to run 21 different tests from 95% less blood. Finally, our automated systems will run the SQI tests and complete the analysis and automatically report the results. Our scientists are developing these highly technical products in timelines and at levels of performance that we believe to be unparalleled in the industry.

3. EXPAND OUR PRODUCT REACH

Combined, our current pharma and biotech customers have a total of approximately 130 drugs in development and are estimated to be adding 10 new products into their drug development pipeline each year. Our goal is to expand our customers' use of SQI technology, and, expect to have clients with multiple projects generating a multitude of revenue streams concurrently. Our entry point into our customers is custom-developed tests. Our goal is to expand beyond these high value tests and sell other, high volume routine tests that can be run on their sqidlite™ platforms.

4. MAINTAIN INDUSTRY-LEADING TECHNOLOGIES IN HIGH VOLUME PRODUCT MARKETS

Whether we are developing tests to assist drug developers in their clinical programs or automating DNA tests for customers in the infectious disease markets, our products are focussed on high throughput solutions in markets that have not been capable of being served by existing multiplexing and automation technology. Over the last 18 months we have evolved the business to diversify our revenue risk.

5. FOCUS ON NEAR-TERM PHARMA AND DIAGNOSTIC REVENUE OPPORTUNITIES

SQI started as a multiplexing company focused on autoimmune disease testing in humans. Today, we are expanding the application of our technology to address needs in the drug development and other diagnostic markets while maintaining our progress in autoimmune disease. This change is being successfully executed in order to win revenue in markets requiring less capital investment, significantly less regulatory effort and where there exists a much larger

market opportunity. We are in the process of unlocking the opportunities in a wide range of projects and across multiple product lines and therapeutic areas. We believe that this strategy will achieve our goal of sustainable revenue velocity in the near term.

As such, the Company commercializes its technology through two principal and integrated lines of business applied in the three main markets discussed above:

Drug Development Tools and Services (DDTS)

Drug Development Tools and Services is focused primarily on pharmaceutical, biotechnology, and vaccine companies along with the contract research organizations (CROs) that serve them. These companies are required to understand many biological responses to their drugs in research and development. These responses are expressed through the production of a wide range of proteins and antibodies in animals and humans during a drug's development. Detecting, measuring and understanding these responses can impact the design, evaluation and selection of drug candidates and the course of development of a drug. Common types of testing to measure responses are categorized as follows: immunogenicity; anti-drug antibody ("ADA"); inflammatory; biomarker and epitope mapping. The use of these common tests has grown dramatically over the last decade, enabled by testing innovation and the rise of data management and informatics. More recently, FDA guidance to drug developers issued in 2014 is expected to influence this market positively as it provides more direct and stringent guidance regarding testing within drug development programs. Over the last 18 months, SQI has leveraged the widely available guidance from the FDA to build products that specifically addresses the expected needs of the industry resulting from this new FDA guidance.

SQI's business model for drug development customers is to sell comprehensive "turnkey" services including the initial rapid design, development and validation of custom multiplex tests kits. The customer then contracts SQI to manufacture these custom tests for purchase and use in their pre-clinical and clinical drug trials, with testing conducted at the customer or its CRO. In some cases, SQI can also provide sample analysis performed at the Company, as a service.

As we commercialize our products in the pharma market, customers are choosing multiplex tests from SQI because they combine multiple tests that they use in a particular application into a single test providing all of their required results, while maintaining or exceeding the technical performance to which they are currently accustomed. Furthermore, we fully automate the processing of these tests on our systems so that with as little as 15 minutes of operator hands on time they can run numerous samples, achieving high throughput, in a run and walk away mode. Our technology meets or exceeds all FDA and European Medicines Agency ("EMA") immunogenicity and biosimilar test guidelines issued to date.

In Vitro Diagnostics (IVD)

SQI is also advancing a pipeline of multiplexed IVD products targeting protein and antibody biomarkers relevant to autoimmune and other immunological diseases. These tests are developed, validated and manufactured by the Company for direct marketing and sales to reference labs once cleared by regulators such as the FDA.

Our target customers require diagnostic processing equipment and consumable tests (together "systems") that are capable of processing large numbers of patient samples to detect and quantify multiple and varied types of human antibodies, isotypes (different forms of the same antibody) and sub-classes of antibodies. Our systems and multiplexing technologies enable many tests to be completed in a single well of one of our consumable test kits at low cost and with minimal labour requirements using our semi-automated or fully-automated high-throughput systems. Our systems have the potential to increase a laboratory's throughput with significantly less labour, consumables and other costs.

Although the majority of our time and resources were devoted to the near-term opportunities in the pharmaceutical and biotech development markets in fiscal 2014 and the first two quarters of fiscal 2015, the Company also continued to advance its pipeline of IVD tests, albeit at a slower pace. SQI's lead IVD test is its multiplexed Ig_plex® Celiac DGP Panel, which provides clinicians with a valuable and rapid tool to quantify the levels of multiple key biomarkers associated with celiac disease. SQI received clearance from the United States Food and Drug Administration (FDA) allowing Company to market its proprietary Celiac Panel in the United States in the first fiscal quarter of 2015. According to an article in the New England Journal of Medicine[1], it is estimated that 1 in 100 people in the United States is affected by celiac disease.

The Company is continuing to develop Ig_plex Vasculitis and Ig_plex Lupus IVD products.

The tests developed by SQI have the potential to save large volume reference labs both time and money and may also improve the data collected in each test. Successful penetration of the IVD testing market is difficult to achieve based on a single test, particularly when that test requires investment by a lab in a hardware platform. By adding further qualitative tests to the SQI menu of regulatory cleared tests, management believes the business case for switching to the SQI platform becomes compelling. As a consequence, the Company plans to continue to invest to develop and achieve clearance for the tests listed above. In light of the Company's limited resources such investment will rank behind investing in our tools and services business as those projects can deliver revenue and cash flow more quickly.

[1] . Celiac Disease, Alessio Fasano, M.D., and Carlo Catassi, M.D., M.P.H., N Engl J Med 2012; 367:2419-2426, December 20, 2012.

CORPORATE FINANCING TRANSACTIONS

During the quarter ended March 31, 2015 the Company completed a secured debenture offering (the "Offering"). The first tranche of the Offering was completed on January 30, 2015 for gross proceeds of $1,950,000. The second tranche was completed on February 20, 2015 for gross proceeds of $1,286,000. The debentures bear interest at a rate of 10% per annum on the principal amount outstanding and will be repayable 60 months from the date issued. The debentures are secured by a General Security Agreement over all the present and future assets of the Company including intangibles. As part of the consideration for the debentures the Company issued an aggregate of 3,236,000 common share purchase warrants. Each warrant entitles the holder to purchase one common share of the Corporation at a price of $0.60 and is exercisable at any time up to 60 months from the date of issue. The debentures may be redeemed in whole or in part, at par without premium or penalty, at the option of the Company if at any time following the first anniversary of the date of issuance of the debenture, and prior to the maturity date of such debenture, the volume weighted average closing price of the Company's shares on the TSXV (or any other stock exchange on which such shares are then traded) is equal to or greater than $1.00 per share for twenty consecutive trading days.

In connection with the Offering, the Company paid a total finder's fee of $194,000 and issued 323,600 compensation warrants. The compensation warrants will be exercisable at a price of $0.60 at any time up to 60 months after the date of issue.

On December 4, 2011 the Company extended the expiry of 1,199,052 warrants by 12 months to December 4, 2012. The warrants were issued in December 2009. On December 4, 2012 the Company received approval to extend the expiry of these warrants for an additional 12 months to December 4, 2013. On December 4, 2013, the Company received approval to extend the expiry of these warrants for a final 12 months to December 4, 2014. All other terms of the warrants remained unchanged. The fair value of the extension was estimated using the Black-Scholes pricing model with the following assumptions: share price $0.70; dividend yield 0%; risk free interest 1.1%; volatility 154%; and an expected life of 1 year. Expected volatility is based on historical volatility. As a result of the extension $170,000 was recorded in warrant capital with a corresponding reduction in contributed surplus. On December 4, 2014 these warrants, having reached the maximum term allowable under TSX rules, expired unexercised. Accordingly, $1,107,000 was transferred from warrant capital to contributed surplus.

On October 10, 2013, the Company extended the expiry of 2,276,000 warrants by 36 months to October 25, 2016. The warrants were issued in October 2011 in connection with a private placement. All other terms of the warrants remained unchanged. The fair value of the extension was estimated using the Black-Scholes pricing model with the following assumptions: share price $0.76; dividend yield 0%; risk free interest 1.2%; volatility 96%; and an expected life of 3 years. Expected volatility is based on historical volatility. As a result of the extension $616,000 was recorded in warrant capital with a corresponding reduction in contributed surplus. In addition, 86,040 warrants with an expiry of October 26, 2013 expired unexercised and $54,000 was transferred to contributed surplus upon expiry.

Subsequent to quarter-end the Company received approval to extend the expiry of 5,126,044 outstanding common share purchase warrants of the Company, which were issued in connection with the Company's May 2013 private placement financing. Each Warrant entitles the holder thereof to purchase one common share of the Company at any time until the close of business on May 1, 2015 at an exercise price of $1.10 per common shares. The Warrants will be amended, effective May 1, 2015, to extend the term of such Warrants until May 1, 2018. In addition, at any time prior to the expiry date, as amended, should the 20-day trailing average price exceed $1.43, warrant holders shall have 30 days to exercise this series of warrants and any unexercised Warrants shall expire thereafter. All other provisions of the Warrants will remain the same.

Second Quarter Commentary

The table below summarizes quarterly financial information for the three month periods shown.

	March 31, 2015 (000s)	December 31, 2014 (000s)	September 30, 2014 (000s)	June 30, 2014 (000s)
Revenue	$ 70	$ 15	$ 67	$ 32
Net Loss	$ 1,613	$ 1,365	$ 1,546	$ 1,449
Net Loss Per Share	$ (0.03)	$ (0.02)	$ (0.03)	$ (0.03)
Weighted Average Shares	56,336	56,336	56,336	55,505

	March 31, 2014 (000s)	December 31, 2013 (000s)	September 30, 2013 (000s)	June 30, 2013 (000s)
Revenue	$ 18	$ 2	$ -	$ -
Net Loss	$ 964	$ 1,501	$ 1,553	$ 1,740
Net Loss Per Share	$ (0.02)	$ (0.03)	$ (0.03)	$ (0.04)
Weighted Average Shares	47,080	44,970	44,952	43,206

During the second quarter of fiscal 2015 the Company continued to record revenue from product and services sales in our DDTS business. Revenue for the quarter-ended March 31, 2015 was $70,000 compared to $18,000 for the quarter-ended March 31, 2014. Revenue for the six months ended March 31, 2015 was $85,000 compared to $20,000 for the same period last year. The growth in revenue for the three and six months ended March 31, 2015 reflects the continued progress of the Company with its global Pharma customers. This includes the execution of an agreement in the current quarter for the evaluation of a sqidlite™ platform by our fist global Pharma customer who will validate the system and the performance of a 21-plex test developed for this customer. Successful, final evaluation is expected to result in the purchase of the sqidlite system and the on-going sales of initial products for use in the customer's clinical programs.

For the quarter-ended March 31, 2015, the Company recorded a net loss of $1,613,000 ($0.03 net loss per share) compared to a net loss of $964,000 ($0.02 net loss per share) for the quarter-ended March 31, 2014. The loss for the six months ended March 31, 2015 was $2,978,000 compared to $2,465,000 for the same period last year.

Per share values are based on the weighted average shares outstanding in the period. For the quarter-ended March 31, 2015 there was an average of 56,336,000 shares outstanding.

The net loss was higher for the three and six months ended March 31, 2015 as compared to the three and six months ended March 31, 2014. The net loss for the three and six months ended March 31, 2014 was minimized to some degree by the realization of a $300,000 SR&ED investment tax credit. The SR&ED investment tax credit benefit was not available to the same degree in 2015 as our activities focus more on commercialization. The net loss for the three and six month period also increased due to expenditures on sales and strategic initiatives discussed in more detail below.

R&D expenditures, excluding SR&ED investment tax credits, amortization and stock based compensation, for the three months ended March 31, 2015 were $788,000 compared to $638,000 for the same period last year. R&D expenditures, excluding SR&ED investment tax credits, amortization and stock based compensation, for the six months ended March 31, 2015 were $1,472,000 compared to $1,478,000 for the same period last year. R&D expenditures were consistent for the six month periods ended March 31, 2015 and March 31, 2014. R&D expenditures increased by $150,000 for the three month period ended March 31, 2015. Costs for the three and six months ended March 31, 2015 included work on 4 DDTS customer projects and the advancement of two IVD assays in the pipeline. Cost for the three and six months ended March 31, 2014 included costs related to the validation of the Celiac DGP assay, which was approved by both Health Canada and the FDA in calendar 2014, and work on 3 DDTS customer projects.

Corporate and general expenses include salaries and related benefits of the Company other than salaries and related benefits paid to personnel engaged in research and development. Salaries and wages were $143,000 for the quarter-ended March 31, 2015 compared to $106,000 for the quarter-ended March 31, 2014. Salaries and wages were $254,000 for the six months ended March 31, 2015 compared to $247,000 for the six months ended March 31, 2014. The increase in salaries and related expenses is due to hiring of an executive level position in the second quarter of fiscal 2015.

Corporate and general expenses also include general and administrative expenses which comprise occupancy costs, insurance costs, regulatory costs relating to corporate filings, investor relations costs, foreign exchange expenses, and other general operating costs. General and administrative expenses were $139,000 for the three months ended March 31, 2015 compared to $131,000 for the three months ended March 31, 2014. General and administrative expenses were $264,000 for the six months ended March 31, 2015 compared to $233,000 for the six months ended March 31, 2014. General and administrative costs were higher in the three and six month due mainly to OTCQX fees and the effects of the increase in the US dollar on the cost of purchases from the US.

Professional consulting (legal, accounting, Board of Directors compensation, recruiting, administrative contractor, and investor relations) costs in the three months ended March 31, 2015 were $177,000 compared to $108,000 for the three months ended March 31, 2014. Professional consulting costs in the six months ended March 31, 2015 were $300,000 compared to $163,000 for the six months ended March 31, 2014. The increase in professional and consulting costs for the three and six months ended March 31, 2015 compared to the same period last year is a result of strategic advisory and investor relations initiatives pursued and increases legal and recruiting fees.

Sales and marketing expenses were primarily related to sales and marketing consultant fees and travel related to selling activities in the quarter. Sales and marketing expenses, excluding stock based compensation, totalled $198,000 for the three months ended March 31, 2015 compared to $71,000 for the three months ended March 31, 2014. Sales and marketing expenses, excluding stock based compensation, totalled $358,000 for the six months ended March 31, 2015 compared to $221,000 for the six months ended March 31, 2014. Sales and marketing expenses were higher for the three and six months ended March 31, 2015 compared to the same period in the previous year, primarily due to the addition of two individuals in the sales and marketing area during the first and second quarters of fiscal 2015 and the effects of the US dollar exchange rate.

Non-cash stock based compensation charges totalled $34,000 for the three months ended March 31, 2015 (six months - $70,000) compared to $66,000 for the three months ended March 31, 2014 (six months - $118,000). The related stock option issuances are described further in the Outstanding Capital Stock section that follows.

Non-operating expenses include $64,000 in financing costs for the three months ended March 31, 2015 related to the debenture financing completed in the second quarter of fiscal 2015. Operational expenses were partially offset by interest income earned on short-term investments of $2,000 for the three months ended March 31, 2015 (six months - $5,000) compared to $2,000 for three months ended March 31, 2014 (six months - $4,000). The Company invests its cash in variable term cashable government investment certificates and short-term money market deposits.

Sources and Uses of Cash

Management expects losses to continue into fiscal 2015 as investment continues in product development and commercialization efforts for its pipeline of IVD and custom Ig_plex test kits and platforms, as well as investment in sales and marketing. Management expects to reduce losses later in fiscal 2015 as it generates revenues and margin from a variety of Diagnostic Tools and Services' customers.

As at the date of this report and as a result of the debt financing during the second quarter, the Company has funds sufficient to meet our anticipated cash requirements for the Company's fiscal third Quarter. The Company is actively reviewing its forecasted expenditures, capital needs and financing options.

Operational activities for the quarter-ended March 31, 2015 were financed by cash resources on hand.

At March 31, 2015, current assets were $2,427,000 compared to $2,058,000 at September 30, 2014. As at March 31, 2015 the Company has a $1,882,000 working capital surplus compared to a surplus of $1,625,000 at September 30, 2014.

Cash used in investing activities for the quarter-ended March 31, 2015 was $55,000 (six months - $153,000) compared to $17,000 for the quarter-ended March 31, 2014 (six months – $102,000). The Company continues to critically evaluate all capital purchases and is evaluating all patent and trademark expenditures. Investing activities focused on enhancing and maintaining the Company's patent and trademark portfolio, and strategic laboratory equipment purchases and critical computer infrastructure upgrades.

RISK FACTORS

An investment in our common shares involves a number of risks. In addition to the other information contained in this Management Discussion and Analysis, including our consolidated financial statements and related notes and the Annual Information Form dated December 16, 2014, you should give careful consideration to the following risk factors. Any of the matters highlighted in these risk factors could have a material adverse effect on our business, results of operations and financial condition, causing an investor to lose all, or part of, its, his or her investment.

The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are not aware of or focussed upon, or that we currently deem to be immaterial, may also impair our business operations and cause the trading price of our common shares to decline.

Risks Related to Our Business and Strategy

Our future capital needs are uncertain and we may need to raise additional funds in the future, which may not be available on a timely basis or on commercially reasonably terms.

We have incurred losses since inception, and we expect to continue to incur losses in the future.

Market competition and technological advances of similar diagnostics products could reduce the attractiveness of our products or render them obsolete.

If our products fail to achieve and sustain sufficient market acceptance, our revenue will be adversely affected.

We are subject to complex regulatory compliance requirements and the failure to obtain, or the withdrawal of, regulatory clearance or approval for our products could adversely affect our ability to market our products and/or require us to incur significant costs to comply with such requirements.

We may not be able to develop new products or enhance the capabilities of our existing diagnostics products to keep pace with rapidly changing technology and customer requirements.

Research and development of diagnostic products requires significant testing and investment and may not result in commercially viable products within the timeline anticipated, if at all.

Our future success depends upon our ability to expand our customer base and introduce new products and services.

We have limited experience in marketing, selling and distributing our products, and we need to expand our internal and external sales and marketing force and distribution capabilities to successfully commercialize and sell our products.

We rely on strategic partnerships for research and development and commercialization of our products.

We depend upon key suppliers for some of the components and materials used in our platform technologies and our microarrays, and the loss of any of these suppliers could harm our business.

Future legislative or regulatory changes to the healthcare system, including reimbursement, may adversely affect our business.

We rely on certain key personnel and our ability to successfully grow our business would be adversely affected by their departure from our company.

If we cannot provide quality technical support, we could lose customers and our operating results could suffer.

We may experience development or manufacturing problems or delays that could limit the growth of our revenue or increase our losses.

Our products could have unknown defects or errors, which may give rise to claims against us and adversely affect market adoption of our systems.

Our future financial results may be adversely affected by foreign exchange fluctuations.

Risks Related to Intellectual Property

Our ability to protect our intellectual property and proprietary technology through patents and other means is uncertain.

Risks Related to Our Common Shares

We expect that our share price will fluctuate significantly, and you may not be able to resell your common shares at or above the current price.

We have never paid dividends on our common shares, and we do not anticipate paying any cash dividends in the foreseeable future.

Management seeks to mitigate these risks, and others, primarily by retaining experienced employees and advisors who have expertise in the scientific, medical business, regulatory, manufacturing and operational disciplines of automated platform integration and immunoassay diagnostic test development.

During the current reporting period, the Company did not earn significant revenues from its test kits or its diagnostic platforms. Management believes that it may generate revenues from a variety of Drug Development Tools and Services customers in fiscal 2015; this is subject to certain risks including the continued success of the development program. The continuation of the Company's research, development and commercialization activities along with investment in marketing and sales is dependent upon the Company's ability to successfully manage its growth, investment in continued pipeline development and its cash requirements.

We are exposed to market risks related to changes in interest rates and foreign currency exchange rates, which could affect the value of our current assets and liabilities. We do not believe that the results of operations or cash flows would be affected to any significant degree by a sudden change in market interest rates relative to our cash investment, due to the prime interest rate based nature of the investment. We have not entered into any forward currency contracts or other financial derivatives to hedge foreign exchange risk. We are subject to foreign exchange rate changes that could have a material effect on future operating results or cash flows.

Management will continue to review the Company’s financial needs and to seek additional capital financing as required from sources that may include equity financing, debt financing, convertible securities, collaborative projects and licensing arrangements; however, there can be no assurance that such additional funding will be available or if available, whether acceptable terms will be offered.

Outstanding Capital Stock

As at May 20, 2015, there were 56,386,058 common shares issued and outstanding.

The following tables describe the securities that have been issued that are convertible under certain conditions into common shares:

The Company had the following warrants outstanding as May 20, 2015:

Number of Warrants	Purchase Price
1,140	$5.00
2,981	$2.50
5,126	$1.10
513	$0.75
11,365	$0.65
3,560	$0.60
885	$0.50
25,569	

The Company had the following stock options outstanding under the Plan at May 20, 2015:

Number of Options	Range of Exercise Prices
2,060	$0.31 - 1.16
472	$1.17 - 2.03
313	$2.04 – 2.90
2,845	

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

DISCLOSURE CONTROLS AND PROCEDURES, AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The accompanying financial statements have been prepared by management in accordance with International Financial Reporting Standards. For quarterly reporting periods, the Company's financial statements are approved by the Audit Committee and the Board of Directors. For annual reporting periods, the Company's financial statements are approved by the Board of Directors upon recommendation by the Audit Committee. The integrity and objectivity of these financial statements are the responsibility of management. In addition, management is responsible for all other information in this report and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

In support of this responsibility, management maintains a system of internal controls to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets.

In particular, the CEO and CFO or his designate are responsible for establishing and maintaining disclosure controls and procedures ("DC&Ps") and internal controls over financial reporting ("ICFRs") for the Company, and have:

(a) designed such DC&Ps, or caused them to be designed under supervision, to provide reasonable assurance that material information is made known during the period in which the annual and quarterly filings are being prepared;

(b) designed such ICFRs, or caused them to be designed under supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS;

(c) evaluated the design and effectiveness of the Company's DC&Ps as of March 31, 2015;

(d) concluded that a material design weakness in the ICFRs may exist in terms of the inadequate segregation of certain duties, which is typical of development stage companies; mitigating factors, including dual-payment authorization policies and transparent internal financial transaction reporting processes, serve to minimize the risk that such design weakness could result in a material misstatement of results for the quarter-ended March 31, 2015; and

(e) concluded that, other than the item described above in sub-point (d), there are no additional material design weaknesses in the DC&Ps or ICFRs, and that the effectiveness of the DC&Ps is sufficient to expect the prevention or detection of material misstatements of results.

The financial statements include amounts that are based on the best estimates and judgments of management. The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Board of Directors exercises this responsibility principally through the Audit Committee. The Audit Committee consists of three directors, all of whom are independent and not involved in the daily operations of the Company. The Audit Committee meets with management and the external auditors to satisfy itself that management's responsibilities are properly discharged and to review the financial statements prior to their presentation to the Board of Directors for approval.